

Honorable John G. Koeltl
(Daniel Patrick Moynihan)
United States Courthouse,
Courtroom 14A
500 Pearl St.
New York, NY 10007-1312

15 January 2025

Dear Judge Koeltl

I am reaching out to you concerning Alexander (Alex) Mashinsky, who is currently undergoing the sentencing phase of his trial.

I became interested in BTC [bitcoin] in 2011, and my first small exchange was in 2017, which I deposited, in part, with Celsius, soon its launch in 2017 after having read and understood its whitepaper. At the time of the pause, I had deposited USD 350,000 into Celsius but its value at the time was much higher. I am a prudent investor, and my allocation allowed for worst-case scenarios of BTC/crypto- even going to zero. I considered the demise of Celsius possible but gained confidence over time.

Celsius, with its user-friendly app. and Alex's weekly YouTube AMA videos, was a pleasant experience. Early on, I wrote an email to the helpline with a suggestion and was pleasantly surprised that Alex, replied, and I remember thinking that he was a good person working for the greater good.

Here is a more recent reply:

Alex Mashinsky <[REDACTED]> 5 Dec 2024, 12:19
to me

Thank you.

Sentencing is on April 8, 2025 and you are invited to attend and speak your mind to the Judge...

I am working on the next chapter of my life, it is all about giving back to society.

Jeremiah 29:11

"For I know the plans I have for you, declares the LORD, plans for welfare and not for evil, to give you a future and a hope"

I have no reason to feel deceived or cheated. I had accepted the risk with anything associated with crypto and I venture to suggest that the people who have complained most had taking on too much personal risk.

Had there not been a "*Perfect Storm*" of unfortunate events, against a background of the "*Crypto Winter*", Celsius would have sailed on and any shortcomings in the organization would have passed unnoticed.

Since the pause, I wrote seven emails to Alex to give my thoughts and hopefully moral support to him, his family and his team that remained loyal. He replies quickly and I can sense that he is a person who is deeply regrets any part he may have played to damage others, and he feels the burden. He also valued my unsolicited support so I was motivated to continue writing. Alex is a good person.

I witnessed the worst of humanity as the law and the media closed in on Alex, even before the facts were known. Grifters, virtue signalers, click-baiters, bitcoin maximalists and a financial "*expert*" who had advised his clients to invest in Celsius, were all shifting the full blame for the insolvency on Alex.

I am an [REDACTED] Brit, and, certainly older, and likely more worldly wise, than most folk grappling with this new technology.

Like Alex, I am an engineer. After graduating, I spent my entire career with the Michelin Tire Group and retired in HK - and stayed. In my career had launched a new factory in Brazil as a Production Director and more recently I was Technical Director interacting with engineers for vehicle manufactures, in many parts of the world.

Like Alex, I was passionate about my mission for "my company". I see Alex as a creator, builder, improver, and problem solver, who could never be drawn to premeditated, nefarious schemes, which anyway would be easily detected. Only a psychopath could plan so much damage to so many people without feeling guilty. Alex is not a psychopath.

In 2024 most Americans, finally woke up to the fact that the USA had indeed been great, but was no longer great, and was now heading towards further decline. We trust that the 47th President will return the USA to greatness and that blockchain technology and a bitcoin monetary system will play an important part. Crypto lending platforms, like Celsius, will be needed to provide the service which traditional banks always have for the US dollar. Alex had a hard ride because he was seven years too early with Celsius

I worked for several impressive CEOs, within a mature business and a settled culture. My sense is that Alex, as CEO, lacked an expansion plan and placed too much reliance

on recently hired senior managers to run the back office with little coordination from the top. Alex was focused on growing the business and creating a community spirit extending from his staff through to the customers. He succeeded in both, however too many in the community became risk averse and withdraw their assets. Regardless of this, Alex worked selflessly for the shareholders, the depositors and his staff.

Celsius was under pressure due to the prevailing regulations, which were not being adapted to the blockchain technology.

That said, without Alex, there would be no Celsius, so millions fewer crypto followers, that conceivably helped tip the balance of 2024 Presidential Election.

Alex made enemies between 2017 and 2024. Below I describe events over a longer timeline, 1863 to 2024, to illustrate how Alex would be favorably viewed in the past. Even before any facts were known, media had images of his well-known face behind bars. Alex is not a villain and does not deserve a prison sentence.

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In **1863**, the U.S. Government provided incentives, in the form of land grants, to two corporations to build the railway tracks that opened the “Wild West” and connect the east and west coasts. **Alex Mashinsky’s** vision opened new frontiers to the world’s monetary system but was met with interference from financial regulators, particularly in the USA.

In the same period, there were attempts to lay a telegraph cable across the Atlantic. It was only on the second attempt, in **1866**, that saw success. Private investors lost money on the first attempt, but others profited on the second. **Celsius**, being the first mover with its crypto lending platform, found itself in a hostile business environment and facing insoluble problems principally due to lack of cooperation from the financial regulators.

In **1930**, Amadeo Giannini, now regarded as one of America’s greatest financial innovators, took control of the Bank of America, after merging his own bank, the Bank of Italy, into it.

The Giannini and Mashinsky stories have a remarkable similarity: both saw a need to provide banking services to demographics that were not being served.

Giannini, who had grown up amongst struggling immigrant families, saw an opportunity to help an increasing Italian immigrant population who were not served by the existing banks so he formed his own Bank of Italy to provide the service.

Mashinsky saw that the crypto industry needed loans, since the traditional banks were not willing to lend, so he created the lending platform, **Celsius**, to provide the service.

Both responded to a need for banking services that did not exist, however, when Giannini formed his Bank of Italy, financial regulators did not exist. Recent evidence suggests that the US Securities and Exchange Commission, with other regulators around the world, were uncooperative.

In **2001** Jeff Bezos was busy with a start-up called **Amazon** and was helped by a management consultant, Jim Collins, who at the time was writing one of his early publications: *"Good to Great"*. This introduced the concept of the "flywheel effect", which has been successfully adopted by many companies, including Amazon and Toyota. The use of the CEL token, in **Celsius**, provided the essential feedback loop.

The "flywheel effect," which Bezos referred to as the "virtuous cycle", was the way he used to generate traffic to his platform. Amazon's business model always put customers first and works backwards from there. This is true for the **Celsius** model, also, but has been misunderstood and maligned

One sure way for the crypto industry, in general, and Celsius in particular, is to be crushed before reaching "escape velocity". The Celsius flywheel, with its CEL denominated feedback loop, could absorb normal bumps in the road, but the over-reliance on CEL, as its collateral, exposed Celsius to a "FUD attack" [Fear, Uncertainty, Doubt] by hostile forces. The **Celsius** flywheel contributed what was intended for it until, regrettably, it went into reverse.

If the mysterious Satoshi Nakamoto had not offered bitcoin for sale in **2009**, albeit only to people having programming skills, Celsius would not exist. **Alex** had the skills to introduce the general public to the blockchain.

Apple's Steve Jobs, died in **2011**. He is remembered for saying: *"One of the hardest things, when you are trying to effect change is that people [the naysayers] are right, some of the time. You have to start with Customer Experience and work backwards to the Technology."*

Celsius developed an exceptionally user friendly, aesthetically appealing app, which was necessary to take bitcoin, and other cryptos, to the general public. It was an innovation that sold itself, and most credit is due to Alex, who had Steve Jobs talent. **Alex** should be in the same *"Hall of Fame"*.

The 1st Bitcoin Conference was held in Prague in **2011**. Several of the eventual crypto experts, commentators, influencers and click-baiters attended. One of these was

Simon Dixon, who could fit under any of these headings. An ex-investment banker, trader and stock broker, who claims fame for his book *“Bank to the Future”*, as being the first book to explain bitcoin.

Dixon founded a company, **BankToTheFuture**, in **2012** as an online investment platform specializing in equity and rewards-based crowdfunding with areas of expertise including: Investing, Venture capital, FinTech, Bitcoin, Blockchain, Online investing, Crypto, Finance, Equity, and Retirement plans. He placed 10 million USD into Celsius on behalf of his clients. Dixon said of **Celsius** then:

*“I commit to supporting **Celsius** in any way that is useful. They have built a community that believes in bottom up and we [BankToTheFuture] have a platform and experienced team that can help Celsius bottom up”.*

Dixon claimed publicly that his company had the licences that Celsius needed and he had the expertise to help. We later learned from the Alex, in an AMA that, whatever business relationship had existed between him and Simon Dixon, had fallen apart.

When Celsius became insolvent, Simon Dixon made no apologies for his bad advice to his clients and tried to shift all the blame for his bad decision on Alex.

*“a bunch of our crypto was stolen by Mashinsky;
We got scammed by Celsius; all the stuff we have been through”.*

Dixon spat venom relentlessly against Alex at every public opportunity. He should not be excused for his persistent, and seemingly psychopathic grudge. His aim was clearly to attract the Celsius community into his business.

Three Arrows Capital was a cryptocurrency hedge fund which was founded in **2012** and enjoyed a stella reputation with its investors. The company borrowed billions of dollars to fund its trading, and according to July 2022 bankruptcy filings, faced \$3.5 billion in creditors' claims. **Celsius** was unfortunately one of its creditors and became one of many dominos to fall.

In **2016 Donald Trump** was elected as 45th President of the USA. He famously liked the USD but did not interfere with blockchain development.

Against the backdrop of a then benign administration, **Celsius** opened for online customers in **2017**. A community of depositors and a raft of borrowers grew quickly, primarily due to the enthusiasm and energy of Alex.

Alex knew the importance of capital under management in order to be strong enough to survive the inevitable threats from traditional finance, given that he was very publicly declaring war by saying that *“banks are not your friends”*.

To get a fair impression of Celsius, and Alex you needed to follow all his AMAs, as I did. **Alex** made very public his vision to stop wealth creation flowing only in an upward direction. In his weekly AMAs he often advised depositors to be good stewards of their wealth – albeit accepting there was risk.

Also in **2017**, a mathematician, **Sam Bankman Fried**, co-founded Alameda Research, a quantitative trading platform, using an injection of funds from a billionaire investor and others. In **2019** he founded **FTX**, a cryptocurrency derivatives exchange, which by **2022** had grown to be what was an expensively marketed, highly respected and profitable company, with a high profile worldwide. Unlike Alex, Sam was found later to have friendly relations with the SEC, which was otherwise not the case for other crypto enterprises. Nonetheless, FTX was another domino to fall due to a large volume of depositor withdrawals. Coindesk reported that the affiliated trading firm, Alameda Research, derived most of its value from speculation on its own cryptocurrency tokens and later Sam Bankman-Fried exposed for stealing \$8 billion from customers and for this and other charges was sentenced to 25 years in prison by a judge

Unlike Sam Bankman Fried, **Alex** Mashinsky did not steal depositors funds, but he withdrew some of his own significant deposits, primarily Celsius’s own CEL tokens and converted to BTC, seemingly taking advantage of his inside knowledge of possible insolvency ahead and knowing the value of CEL would crash. My understanding is that Alex could not hide the transaction and his action could be advantageous to the creditors, who stayed loyal should there be bankruptcy. There would be a *“Giveback not a clawback”*

The bankruptcies of Celsius, FTX, and others show, that crypto businesses are inherently financially stronger than traditional banks. The value of a crypto asset digitally recorded on a blockchain, is always recoverable from somewhere. There are no fractional reserves - no *“fugazi”* [re. *Wolf of Wall Street* movie], which plagues traditional banks when there is a run. Ironically, This became very clear when it became when FTX creditors received a 118% payout due to increased crypto valuations.

Several crypto lending platforms were launched soon after Celsius, notably Blockfi, Voyager. Blockfi and Voyager, like Celsius were founded in the USA and all faced difficulties with US Regulators. All three had exposure to 3 Arrows. An exception was **Nexo**, which was founded in **2018**, and is based in crypto friendly Zug, Switzerland and is thriving, almost worldwide, to this day.

In many ways Nexo resembles **Celsius**, which was likely its inspiration. It is adopting the “flywheel” and has its own token, like CEL. Particularly noteworthy is the fact that Nexo was effectively chased out of the USA, by the regulatory authorities, at both federal and state level. Nexo agreed to pay a \$45 million penalty and cease its offering to U.S. investors.

In **2021** Joe Biden became 46th President. He made no public comment about crypto, for or against, however, it seems obvious that he supported the “*globalist agenda*” and was clearing the way for the CBDC [Central Bank Digital Currency] which would be inflationary like the USD has been. As its title suggests, this would be centralised, whereas an important feature of Bitcoin, as a currency, is that it is decentralised and deflationary. CBDC, was explained by **Alex** and other influencers, and has fortunately become a vote loser around the world. BTC and crypto became the vote winner for the next administration.

It is now acknowledged that this the Biden Presidency is associated with regulatory and judicial overreach. This impacted the efficiency of **Celsius**, and the decisions **Alex** made and also the charges brought against him.

On the 13th June **2022**, Celsius announced a “pause” on withdrawals and a month later filed for Chapter 11 bankruptcy, from which it emerged on January 31st 2024. Celsius had found itself in a “Perfect Storm”:

- The crypto winter: Market cap \$2.9 trillion fell to \$798 million [end of 2022]
- Depleted liquidity due to loans made to dishonest borrowers
- Misinformation and exaggerated negative reporting in the media
- Mass withdrawals by Celsius depositors
- The flywheel went into reverse
- Difficult issues with regulators
- Background news of increased cybercrime
- Incomplete overview from the CEO

A large, vocal section of the Celsius community, understood that there were management failures that needed to be corrected and hoped that corrections would come through a C11 bankruptcy process. The depositors that had not withdrawn funds were not blaming Alex Mashinsky directly, but in the social media the attacks on Alex were vicious, and the image of his very familiar face behind bars, the tone was set for the regulators to throw the book at Alex for fraud and make it appear like it was in the public interest to put him in jail.

There was no willful attempt by Alex to defraud investors. Alex supported C11 and stayed as CEO and cooperated as long as possible. Anyone watching the latest AMAs would see that Alex was uncomfortable showing he has a conscience and he is not a psychopath. His years of relative transparency created an expectation of total transparency not usually seen from CEOs. As a responsible CEO, hoping that a solution could arrive at any time, Alex could

not prematurely declare insolvency: Damned for saying what he is thinking and bringing about immediate collapse or damned for being economical with the whole truth and praying for an angel to arrive.

During **2024** several important players in the crypto industry won their court cases against U.S. regulators, suggesting that there had been overreach aimed at stemming the growth and limiting the potential innovation of crypto currencies. Congress recognised that the US had become an important innovator in the crypto industry and was concerned that SEC actions would hurt US global competitiveness. The world's biggest asset management company was able to launch a Bitcoin ETF in New York, and others followed. In November 2024, Donald TRUMP is elected back into office as US President, after officially declaring at CPAC, earlier in the year, that he would support bitcoiners.

With an administration hostile to crypto, still in power, at the end of the year BTC survived, and came out stronger. The crypto industry appears to have passed a point of no return. I believe that, had Celsius not suffered the unhelpful distractions from the SEC, and the cruel misrepresentation from social media causing depositors to run for the door, **Celsius** would have survived to benefit from the new paradigm.

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Speaking for myself, I am satisfied with the outcome of the Celsius C11 bankruptcy case, both in financial terms and for the careful handling by the judge. Like many others, I am disappointed not to have retained the Celsius brand, its vision, and even the continued presence of Alex.

The fact that Celsius withstood onslaughts for so long, is testimony to the purity of intention of Celsius towards its community and the underlying strength and the phenomenal incorruptibility of BTC, in particular. Even the bankruptcy case was innovative with its decision to pay creditors in BTC and ETH.

As if to portray Alex as a threat to society, I noted from court documents:

Mr. Mashinsky believed he could package crypto assets on a "killer app" to enable fair distribution of yield to "the unbanked" or "people who are pushed away from society," in contrast to traditional banks that keep returns and charge fees.

This is exactly what Celsius set out to do and this was an important reason for me to put some of my assets at risk. Alex is sincere in his objectives and has integrity.

Complainers quickly forgot or never understood that Alex's positivity, passion, public appearances and apparently boundless energy and even the flywheel, were all essential for

Celsius to grow fast enough to withstand the inevitable push back from vested interests. Alex came close to succeeding, as NEXO did, but In the end, regrettably, the vested interests *won the battle but will lose the war.*

I learned much from Alex's AMAs, I never missed. He sharpened my understanding of the monetary system that should have been taught in my basic educations but I only looked at it closely when I retired from full time employment since. My life experience had already revealed to me that "Banks are not your Friends". I know Alex is sincere in his quest to restore fairness in the distribution of wealth and gave sound advice on the stewardship of money, often not connected to deposits with Celsius. He was early to signal the threat of the CBDC to our individual freedom. Central banks are rebranding to "Digital Cash" hoping to play down their centralised control.

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A.M. took courageous personal and business decisions, some good and some not so good, but none that I construe as willful fraud

His dedication to, what he saw as priority to grow Celsius fast, meant some functions of the CEO, were neglected. Had it not been for many other external factors his management issues were was not enough to bring the company down, in my view.

The role of a CEO is to provide overall direction and leadership and managing the company organizational structure and setting the strategic goals and objectives. and ensuring that the right resources are in place to achieve them.

As insolvency began to look inevitable, Alex would face the classic CEO dilemma. What to say publicly. Complete transparency would immediately make a bad situation worse and would be irresponsible towards all parties.

Having a strong belief that the financial system is failing most people and wanting to innovate and create something better, surely cannot justify a prison sentence.

Judge Koeltl, please consider my opinion based on my personal interactions by email, and observations of crypto since 2011. Alex is fundamentally a kind, considerate, sensitive, hard-working, humble and brave person.

In mitigation, nobody wanted the Celsius' project to survive, to help others, more than Alex.

A prison sentence would serve no useful purpose other than to please some truly nasty people.

A prison sentence is uncalled for, as I know that the damage caused, much of which was out of Alex's control, is a great burden to him and a source of deep regret.

The good news is that more folks are uncomfortable about losing their individual freedom and are looking harder at the issues and will speak out. CELSIUS played a significant part in the rhetoric to challenge traditional banking by simply offering hope of a happier world without the threat of controlled accounts and the stress caused by the fractional reserves in traditional banking.

I will not comment on the fairness of the original charges

I seek fair play on a muddy pitch

With Highest Regards,


Edwin G Rainbow, B Eng [REDACTED]

[REDACTED]
Hong Kong SAR
China

Cell Phone: [REDACTED] [REDACTED]

May I respectfully request that you also read a commentary published by a well-known political commentator, Jeffrey A. Tucker on 6th January 2025. Without mentioning specific crypto endeavors, he makes many of the points I make with respect to challenges that Alex Mashinsky and Celsius faced. I wrote to Jeffrey A. Tucker. His reply to me is significant.

On Tue, 7 Jan 2025 at 13:31, Jeffrey Tucker <tucker@brownstone.org> wrote:

I don't know anything about this case but I have no doubt it is an unjust persecution based on my experience otherwise. I hope my article can help in some way.